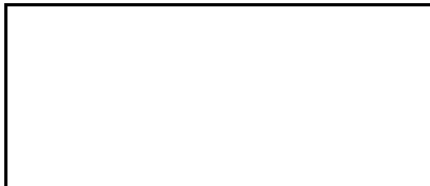


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DIA and DOS review(s) completed.

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[REDACTED]

1. REVOLT REPORTEDLY PLANNED IN PERU FOR  
16 JULY

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[redacted] military  
[redacted] and civilian elements there are plan-  
ning to stage a revolt on 16 July to nullify the results of  
last month's presidential and congressional elections, ac-  
cording to the American armed forces attachés in Lima.  
The attachés note that the military commander in Arequipa  
is known to be close to Minister of War Indacochea who was  
scheduled to arrive in Arequipa on 15 July, purportedly to  
dedicate a new army barracks.

The attachés believe that any attempted  
revolt is not likely to receive widespread support.

Comment

Success of a revolt at this time prob-  
ably depends on the attitude of Peru's  
all-military cabinet. These officers have reportedly been  
in control of the government for the past three to four weeks  
while hospitalized President Odria has become a mere figure-  
head.

Many senior military officers, includ-  
ing at least some cabinet members, are currently concerned  
over the apparent good relations between conservative presi-  
dent-elect Manuel Prado and the outlawed leftist but non-  
Communist APRA party which gained significant strength in  
the recent congressional election. Consequently, the cabi-  
net may be fomenting a revolt as an excuse for continuing in  
power. Recent reports have suggested, however, that the  
present cabinet intends to permit the installation of the new  
government, as scheduled, on 28 July and that the military will  
act only in the event of subsequent unfavorable developments.

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**2. FRANCE MAY SEEK TO SCHEDULE TRADE CONTROL  
TALKS FOR AUGUST**

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The French COCOM delegate told American officials in Paris that Foreign Minister Pineau is pressing him strongly to arrange talks among the US, UK and France on the reduction of COCOM controls as well as the elimination of CHINCOM differentials. The delegate suggested late August as the earliest possible time for a meeting.

He indicated that the recent visit to Washington had encouraged Pineau to push for such talks. At Pineau's insistence, the delegate has drawn up a list of possible deletions in COCOM controls.

**Comment**

France has been seeking revision of CHINCOM controls for about a year, but is opposed by the US and, in principle, the UK. The UK, by using the exceptions procedure, has greatly expanded its trade with Communist China.

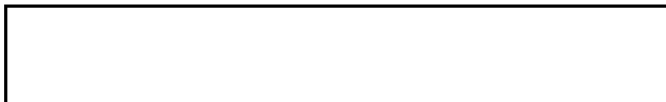
A press announcement that the US has approved shipment of 7,800 tons of sheet metal for autos to the USSR--the first such shipment to a Sino-Soviet country since 1947--may further encourage France and other countries to press for less restrictive East-West trade controls.

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### 3. AMERICAN LEGATION COMMENTS ON HUNGARIAN FACTIONALISM

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The American legation in Budapest believes that dissension within the Hungarian Communist Party is not settled, despite a strong counterattack by the pro-Rakosi group which sponsored a 30 June central committee resolution condemning an antiparty movement. On the contrary, strife within the party has reached a new peak.

The legation speculates that Rakosi may have returned from Moscow with sufficient support to maintain his position temporarily. The USSR, however, must consider his limited following within the party a liability, and his removal as first secretary is a "distinct possibility before too long."

#### Comment

Developments of the past five months have undoubtedly shaken Rakosi's position in Hungary, but he apparently continues to be viewed by Moscow as "indispensable."

Following Soviet presidium member Suslov's "fact finding mission" to Hungary in mid-June, Rakosi reportedly went to Moscow, presumably to obtain new instructions. Rakosi subsequently initiated his first major effort to check the "moderate" faction and whip the party rank and file into line. This was the central committee resolution on 30 June which sharply condemned a "malignant antiparty movement which has launched an attack gradually increasing in strength against the policy and leadership of our party!" Moscow's approval of this action was indicated by Pravda's reprint of the resolution on 8 July.

Current Soviet policy for Hungary appears to be to encourage adoption of the reforms called for by the 20th CPSU Congress through a series of carefully planned relaxations under the firm control of party strong-man Rakosi.

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# 5. JAPANESE PROPOSE MISSION TO INVESTIGATE OKINAWA LAND PROBLEM

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 The Japanese Liberal-Democratic and Socialist Parties agreed on 13 July to send a mission composed of five lower house members to Okinawa "to look into" the question of the United States purchase of land for military bases, according to Ambassador Allison. In response to Allison's request that the Japanese government head off the proposed mission, Chief Cabinet Secretary Nemoto maintained the government should not intervene in what was regarded as Diet action.

Liberal-Democratic party secretary Kishi has indicated that he fears an American rejection of the proposed mission might inflame Japanese popular opinion, which is beginning to take a more reasonable attitude toward the Okinawan controversy. Kishi also stressed that the Diet steering committee action, in limiting the mission to five members, was in itself a compromise and he is seeking an arrangement which might permit the Japanese group to go to Okinawa.

Comment                      The Japanese government and the Liberal-Democratic Party have been under heavy domestic criticism over what has been characterized as a "weak-kneed" attitude toward the United States in the Okinawa land issue.

Socialist gains in the recent upper house election have been credited to exploitation of this controversy. The conservatives' desire to send a mission to Okinawa probably is aimed at convincing the public that the government is making a positive effort to assert Japan's interests.

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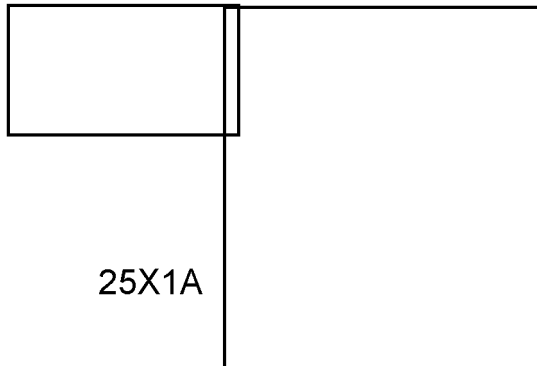
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**6. STUDENT DISORDERS IN HONDURAS**

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Press reports indicate that student riots in Tegucigalpa, which began on 10 July, are still in progress after three major clashes with police. The disorders followed the exile on 9 July of three prominent Liberals, including party chief Villeda Morales, and the arrest of several students after the university students voted to begin a three-day

strike on 9 July. The students are also demanding the ouster of the university rector.

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On 10 July,

the Communists were attempting to take control of the student disorders, and had drafted a handbill asking the workers to unite with the students.

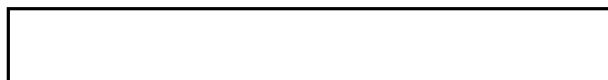
The government, which thus far appears to control the situation, has charged that the opposition and Communists are behind the student moves in an effort to overthrow the regime of Chief of State Lozano.

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